



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

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Insurer Status Report for 2006 Injuries

The RI Division of Workers' Compensation has produced insurer status reports annually since 2000. Individual status reports are sent to each insurer. The aim of the report is to identify areas of reporting that need improvement. For 2005, the report was modified to identify these areas of concern: basic information, document filings, and payment issues. Additional changes were made this year to show more detail.

The status reports include information on insurance company groups, self-insured employers and self-insured municipalities. Used here, the term "insurers" refers to all these entities. Insurers with 0.07% or more of the total number of injuries for the year 2006 are included. A total of 60 insurers were included this year.

Individual Insurance Provider Reports for each of the 60 insurers are sent to the respective insurance providers. The Individual Insurance Provider Reports include rankings for three categories:

- Injuries Showing Problems with Basic Information
- Indemnity Injuries Showing Problems with Filings
- Injuries with Payment Information Concerns

On Individual Insurance Provider Reports, each insurer is ranked based on the percent of injuries with problems or concerns in each of those categories. The insurer with the lowest percent of injuries with problems is ranked 1. The insurer with the highest percent of injuries with problems is ranked 60.

An Insurance Provider Report for all 2006 injuries is included as part of this document. The report for all injuries does not include rankings. An analysis of this year's information follows.

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Insurance Provider Report
Injuries January 1, 2006 through December 31, 2006
Rankings are based on comparison of 60 insurance providers.

Insurance Provider: All injuries in 2006

	Count	Percent
Number of Injuries	26,695	
Indemnity	7,294	27.3%
Open Indemnity	1,187	16.3%
Closed Indemnity	6,107	
Specific Injury Only	411	
No Lost Time	18,711	
Denied by Workers' Compensation Court	279	
Injuries Showing Problems with Basic Information	4,562	17.1%
First Report late or not filed	4,037	
Insurance information not provided	630	
Indemnity Injuries Showing Problems with Filings	5,216	71.5%
Missing filing	4,366	
Agreement to compensate is missing	142	
Authority to end compensation is missing	212	
Final report of payment is missing	803	
Itemized statement is missing	4,040	
Nonprejudicial Agreement is over 13 weeks	197	
Problem with compensation rate	2,008	
Injuries with Payment Information Concerns	18,594	69.7%
No lost time injuries with no payment reported	13,914	
Closed indemnity with no payment reported	408	
Amount of indemnity on payment report differs from amount on itemized statement	3,857	
Indemnity injury appears overpaid	372	
Indemnity injury appears underpaid	629	

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1. Number of Injuries.

a. *Distribution.*

- i. Injuries are concentrated heavily with one insurer, Beacon Mutual Insurance Company. Beacon Mutual's injuries make up 49.0% of all injuries for 2006.
- ii. The next highest concentration of injuries is for State of Rhode Island employees' self-insured program with 6.9% of all injuries.
- iii. 10 insurers have between 1% and 5.7% of all injuries.

b. *Indemnity.* Injuries are classified as indemnity when documentation shows indemnity payments are due. *Percent Indemnity* shows the percent of all injuries classified as indemnity. Indemnity injuries generally make up a third of all injuries. A significantly lower or higher figure may reflect a different accident rate for a particular group of insured employers, or it could indicate over reporting or under reporting of non-indemnity claims.

- i. Indemnity injuries make up 27.3% of 2006 injuries.
- ii. 4 insurers show an indemnity rate of 40% or higher.
- iii. 16 insurers show an indemnity rate lower than 20%.

c. *Open & Closed Indemnity.* An indemnity file is classified as open until we receive information that payments have ended. A large percent of open indemnity injuries suggests that closing documents may not have been submitted.

- i. For all 2006 injuries, 16.3% of indemnity injuries are open.
- ii. 15 insurers show 30% or more indemnity injuries as open.
- iii. 5 insurers show 50% or more indemnity injuries as open.

d. *Specific Injury Only.* Under RI law, specific injury covers loss of use and scarring. In some cases, an employee may be eligible for scarring but not weekly indemnity benefits. These injuries are classified as specific injury only. For 2006, 1.5% of injuries are specific only.

e. *No Lost Time.* This category covers injuries reported where there is no indication of indemnity, specific injury or denial by the Workers' Compensation Court. The majority of these injuries are medical only. In some cases, incident only injuries are reported, though there is no requirement to submit a first report unless medical treatment is provided, more than 3 days time is lost, or the injury is fatal. Generally, medical only injuries make up two thirds of all injuries. In 2006, 70.1% of all injuries reported were categorized as no lost time.

f. *Denied by WCC.* The Workers' Compensation Court may deny a claim at the pretrial or full trial level. In many cases, these claims are denied and dismissed with a payment in lieu of compensation ordered.

2. **Basic information.** Providing basic information on the injury is a critical step in both claims processing and information gathering. This year we focused on timely filing of complete First Reports of Injury and correct insurer information.

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First Reports of Injury must have sufficient information to be processed before being counted as received.

- a. *First Report of Injury late or not filed.*
 - i. Overall, first reports were late or not filed on 15.1% of injury records in 2006.
 - ii. 19 of the 60 (31.6%) insurers included in this report show 20% or more late or unfilled first reports.
 - iii. 3 of 60 insurers show more than 65% of first reports late or not filled.
 - b. *Insurer information not provided.* The First Report of Injury or other injury document first received should accurately indicate the specific insurance carrier named on the insurance policy, the name of the self-insured municipality or the self-insured employer name. Including the correct information shows that the report preparer is aware that the employer is properly insured and by which insurer. Common problems include leaving insurer information blank, listing the third party administrator as the insurer or providing the insurer group rather than the specific carrier named on the policy. These problems tend to be concentrated in injuries for specific insurers.
 - i. Overall, only 2.4% of 2006 injuries did not provide insurer information.
 - ii. Six insurers did not provide insurer information on more than 10% of their injuries.
 - iii. One insurer did not provide insurer information on 37% of its injuries.
3. **Document Filing Problems on Indemnity Injuries.** The rate of compliance for document filing on indemnity claims is poor. These figures show some of the problems uncovered.
- a. *Overall.*
 - i. For 2006, 71.5% of indemnity injuries show problems with filings.
 - ii. 45 of 60 insurers listed (75%) show 75% or more of indemnity injuries with filing problems.
 - iii. 10 of 60 insurers listed (16.7%) show 100% of indemnity injuries with filing problems.
 - b. *Missing Filings.* This classification includes indemnity injuries where an important document has not been filed. 59.9% of 2006 indemnity injuries are missing filings
 - i. *Agreement to compensate is missing.* By law, a nonprejudicial agreement, memorandum of agreement, or court order should be filed with the Department of Labor & Training when indemnity payments are made to protect the parties involved. Only 1.9% of all 2006 indemnity injuries lack an agreement to compensate. Four

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insurers listed show 10% or more indemnity injuries without agreement to compensate.

- ii. *Authority to end compensation is missing.* The RI Workers' Compensation Act requires an authorization to end indemnity benefits. For claims paid under a nonprejudicial agreement, a termination of benefits form is the appropriate documentation. For claims paid under a memorandum of agreement or court order, a suspension agreement, wage transcript or court order ending compensation is required. Failure to file the required documentation could extend an insurer's liability.
 1. 3.5% of all 2006 closed indemnity injuries lack authority to end compensation.
 2. 16 of 60 insurers listed show more than 10% of closed indemnity injuries lack authority to end compensation.
- iii. *Final Report of Payment is missing.* When indemnity benefits end, a final report of payment is required.
 1. 13.1% of all 2006 closed indemnity injuries lack a final report of payment.
 2. 19 of 60 insurers listed show more than 20% of closed indemnity injuries lack a final report of payment.
- iv. *Itemized Statement is missing.* An itemized statement is required after the final report of payment to document indemnity and expenses. The itemized statement should be filed six months after the final report of payment or when most expenses for the claim have been paid.
 1. 66.2% of all 2006 closed indemnity injuries lack an Itemized Statement.
 2. 2 of 60 insurers listed show 20% or less of closed indemnity injuries lack an itemized statement.
 3. 29 of 60 insurers listed show 100% of closed indemnity injuries lack an itemized statement.
 4. 20 of 60 insurers listed show 50% to 99% of closed indemnity injuries lack an itemized statement.
- c. *Nonprejudicial Agreement over 13 Weeks.* Under the RI Workers' Compensation Act, a claim may be paid without prejudice for 13 weeks. If the payments extend beyond 13 weeks, liability is assumed as specified in the statute.
 - i. 16.6% of all 2006 open indemnity injuries show an open nonprejudicial agreement over 13 weeks.
 - ii. 14 of 60 insurers show over 30% of open indemnity injuries over 13 weeks on a nonprejudicial agreement.
- d. *Compensation Rate Problem.* Calculation of the compensation rate for an injury can be complex. This report identifies indemnity injuries where the

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compensation rate is incorrect or where insufficient information was provided to verify the correct rate.

- i. 27.5% of 2006 indemnity injuries show a problem with the compensation rate.
- ii. The problem is widespread. 40 of 60 insurers listed (66.7%) show 20% or more indemnity injuries with a compensation rate problem.
- iii. 18 of 60 insurers listed (30%) show 50% or more indemnity injuries with a compensation rate problem.

4. **Injuries with Payment Information Concerns.** Reporting payments made for injuries is essential for regulation and to identify trends and problems in the workers' compensation industry. A marked improvement in payment reporting is needed. Our agency provides a training program to help make claims administrators aware of reporting requirements.

a. *Payment Problems overall*

- i. 69.7% of 2006 injuries have some problem with payment reporting.
- ii. 50 of 60 insurers included (83.3%) have more than 50% of injuries with payment problems.

- b. *No lost time injuries with no payment reported.* The category called "No Lost Time" injuries includes all reported non-indemnity injuries. Claims denied by the Workers' Compensation Court are not included. Medical only injuries must be reported, but there is no requirement to report incident only injuries. Because some incident-only injuries may be included, payment is not expected to be reported on 100% of no lost time injuries. However, the data shows that expenses on most medical only injuries are not reported. Expenses should be reported using the Itemized Statement, form DWC-50.

- i. For 2006, 74.4% of no lost time injuries show no payments reported.
- ii. 4 of 60 (6.7%) of insurers rated here show no payment reported on less than 20% of no lost time injuries.
- iii. 18 of 60 (30%) of insurers rated here show no payment on 100% of no lost time injuries.

- c. *Closed indemnity injuries with no payment reported.* Generally, some payments are reported on most closed indemnity injuries.

- i. 93.3% of closed indemnity injuries for 2006 show some payments reported.
- ii. 9 of 60 (15%) insurers show 20% or more closed indemnity injuries with no payments.
- iii. 3 of 60 insurers show 50% or more closed indemnity injuries with no payments.

- d. *Amount of indemnity on Report of Payment differs from amount on Itemized Statement.* These figures suggest that the requirements for

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filing the final Report of Indemnity Payment and Itemized Statement are not well understood. The final Report of Indemnity Payment should be filed on indemnity claims when indemnity benefits end. The Itemized Statement is expected within six months and should include expenses paid after the close of the claim. When one form is not submitted, the amount reported for that form shows zero and will result in a discrepancy in the amounts reported. When neither form is submitted, the injury is counted as showing no payment rather than as showing a discrepancy.

- i. 63.2% of 2006 closed indemnity injuries show different amounts.
 - ii. 49 of 60 (81.7%) insurers listed show more than 50% of injuries with different amounts.
 - iii. 10 of 60 (16.7 %) insurers listed show 100% of injuries with different amounts.
- e. *Indemnity injury appears overpaid.* These figures show indemnity injuries that appear to be overpaid by more than 10% of the amount due. A number of factors could cause a claim to appear to be overpaid, including errors in calculating or reporting compensation rate. Accuracy of payment cannot be determined on claims where indemnity payments have not been reported.
- i. Only 5.1% of 2006 indemnity injuries appear overpaid.
 - ii. 13 insurers listed show 20% or more injuries that appear to be overpaid
 - iii. 3 insurers listed show 50% or more injuries that appear to be overpaid
- f. *Indemnity injury appears underpaid.* These figures show indemnity injuries that appear to be underpaid by more than 10% of the amount due. A number of factors could cause a claim to appear to be underpaid, including errors in calculating or reporting compensation rate. Accuracy of payment cannot be determined on claims where indemnity payments have not been reported.
- i. 8.6% of 2006 closed indemnity injuries appear underpaid.
 - ii. 9 of 60 (15.0%) insurers listed show 20% or more of closed indemnity injuries underpaid.

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July 24, 2007